

Press Release

Krans Projects Private Limited

July 14, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.30.00 crore bank facilities of Krans Projects Private Limited (KPPL). The outlook is '**Stable**'.

Incorporated in the year 2008, KPPL is engaged primarily in the execution of construction projects such as earthwork embankments and building bridges. Their major customers include South Central Railway, South Western Railway, Government of Andhra Pradesh, Government of Telangana, Singareni Collieries Company Limited, RITES Limited (Rail India Technical and Economic Service), Rail Vikas Nigam Limited, among others. KPPL was established as a sole proprietorship firm in 1984 and projects were executed in the name of Mr. K Ranga Rao. Later it was reconstituted as a private limited company in 2008. The company was founded by Mr. K. Ranga Rao, who looks into day to day operations along with Mr. Ravi Chand and Mrs. Shrilakshmi.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of KPPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

The company has a long track record of over three decades of experience in the civil construction business with an established record of project execution related to earthwork embankment and building bridges. KPPL business risk profile is supported by director's extensive industry experience. The managing director, Mr. K. Ranga Rao has more than three decades of experience in executing civil contract works. The company was founded by Mr. K. Ranga Rao and is currently managed by him along with Mr. Ravi Chand and Mrs. Shrilakshmi.

Acuite believes that KPPL will continue to benefit from the promoter's established presence in the industry and its improving business risk profile over the medium term

• Healthy financial risk profile

The financial risk profile is healthy, marked by moderate net worth and healthy debt protection indicators. The net worth stood moderate at Rs.29.02 crore as on 31 March, 2020 (provisional) increasing from Rs.20.58 crore as on 31 March 2019. The gearing improved to 0.24 times as on 31 March 2020 (provisional) from 0.83 times in the previous year. The total debt of Rs.7.10 crore as on 31 March, 2020 (provisional) includes working capital borrowings of Rs.4.82 crore, long term borrowings of Rs.1.77 crore and unsecured loans of Rs.0.50 crore. The TOL/TNW also stood at 1.03 times as on 31 March 2020 (provisional) as against 1.32 times as on 31 March 2019. Low reliance over external borrowings has led to healthy coverage indicators marked by interest coverage ratio, which improved to 7.61 times in FY2020 (provisional) from 3.90 times in FY2019. Further, the net cash accruals of the company stood healthy at Rs.7.60 crore in FY2020 (provisional) as against debt maturity obligation of Rs.1.77 crore during the same period. This has reduced reliance on external debt to a large extent.

Acuite believes the company will be able to maintain its financial risk profile in the absence of any major debt-funded capex plan.

Weaknesses

• Revenue visibility

The company is currently executing orders for government entities including South Central Railway, Government of Andhra Pradesh, Government of Telangana, RITES Limited (Rail India Technical and Economic Service), Rail Vikas Nigam Limited. Going forward, the revenue visibility of KPPL is constrained as it has unexecuted orders amounting to Rs.170.61 crore as on 31st March 2020 out of which ~Rs.162.28 crore are expected to be completed in FY2021 and only ~Rs.8.32 crore to be executed for FY2022. Acuité believes that the company's ability to acquire new contracts will remain critical to rating sensitivity.

• Competitive and fragmented Industry

The company is engaged as a civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts. However, this risk is mitigated to an extent as Mr. K Ranga Rao has been operating in this environment for the last 3 decades.

• Tender based business

The company deals with a government organization that provides orders on a tender basis. The company has to bid for tenders. Going forward, the company's ability to bid for orders and qualifying for the same remains to be seen. However, the director's experience and relationship partially mitigate this risk.

Liquidity position: Adequate

The liquidity position of the company is adequate, marked by moderate cash accruals vis-à-vis debt repayment obligation. The cash accruals for FY2020 (provisional) is Rs.7.60 crore as against debt repayment obligation of Rs.1.77 crore and the remaining being cushion. Average bank limit is utilisation for the past six months ended March 2020 stood at ~74%. The current ratio was low at 0.66 times as on March 31, 2020 (Provisional).

Acuité believes that going forward, the liquidity position of the company will continue to remain adequate in the medium term.

Rating Sensitivities

- Significant improvement in revenues while maintaining the profitability
- Any deterioration in liquidity

Material Covenants

None

Outlook: Stable

Acuité believes KPPL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' in case the company registers higher-than-expected cash accruals on the back of sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in the company's profitability or significant deterioration in the capital structure and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	129.77	75.35
PAT	Rs. Cr.	6.55	4.02
PAT Margin	(%)	5.05	5.33
Total Debt/Tangible Net Worth	Times	0.24	0.83
PBDIT/Interest	Times	7.61	3.90

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Infrastructure Entities: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE BB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	8.50	ACUITE A4+ (Assigned)

Contacts

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About Acuite Ratings & Research:

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